

Air Service Proposal



Cape Girardeau, Missouri	DOT-OST-1996-1559
Marion, Illinois	DOT-OST-2000-7881
Quincy, Illinois	DOT-OST-2003-14492

June 26, 2019

About Boutique Air

Our Story

Headquartered in San Francisco, California, Boutique Air has been in operation since 2007. We began by flying fire surveillance missions for the U.S. Forestry Service and Bureau of Land Management. We evolved to provide air charter services across the west coast with our fleet of Pilatus and Cessna aircraft. As a charter operator we have received certifications from both industry-leading safety organizations, ARG/US and Wyvern. Boutique Air employs pilots that are highly experienced and hold the most advanced FAA ratings - a key reason for our continued perfect safety record.

In July of 2012, Boutique Air applied for commuter operating authority from the Department of Transportation. We quickly passed tests on financial fitness and management competency, receiving authority for scheduled service in January of 2014. We began flying scheduled service between Los Angeles and Las Vegas in January of 2014.

We have worked to develop effective distribution channels. We have connections in place with all of the major Global Distribution Systems (GDSs), which travel agents use to access the market. You will find us on Worldspan and Galileo (Travelport), Sabre, and Amadeus. In addition, we are on the major Online Travel Agencies (OTAs), including Expedia, Travelocity, Priceline, Orbitz, CheapTickets, and CheapOAir.

EAS Contracts

On April 22, 2014 Boutique Air received its first EAS contract when the DOT selected the airline to provide service between Clovis and DFW. Since then, we have continued our track record of success and now serve 16 different EAS communities and operate out of 30 different airports. Continuing on a path of successful growth in the EAS market, Boutique Air began service to Johnstown, PA and Victoria, TX in November of 2018, and has been recommended by the town of Rutland, VT to become their next air service carrier.



What People Are Saying About Boutique Air

*Boutique Air PC-12, one of the **best turboprop aircraft** on the market!... Give them a try!!*

-Tarek A. via Yelp.com

*We also feel that the PC-12 aircraft bid by Boutique Air presents the **safest and most comfortable option for the traveling public.***

-Hon. Mayor David Lansford in Recommendation Letter
City of Clovis, NM

*Flew with Boutique from LA to Vegas and back and must say I was extremely surprised. From the ease of check-in, To the flight itself, **the whole process was great.** Price was competitive with any other airline out there. I plan on flying boutique for all my Vegas outings, and may even look into renting the whole plane for a group trip. Thanks Boutique!*

-Kevin J. via Yelp.com

*We find that Boutique Air is fit, willing and able to operate as a commuter air carrier, and **capable of providing reliable Essential Air Service...***

-Susan L. Kurland in Clovis EAS Award
Asst. Sec. for Aviation and International Affairs
US DOT

Right now Boutique Air is a very cool secret.

-Examiner.com

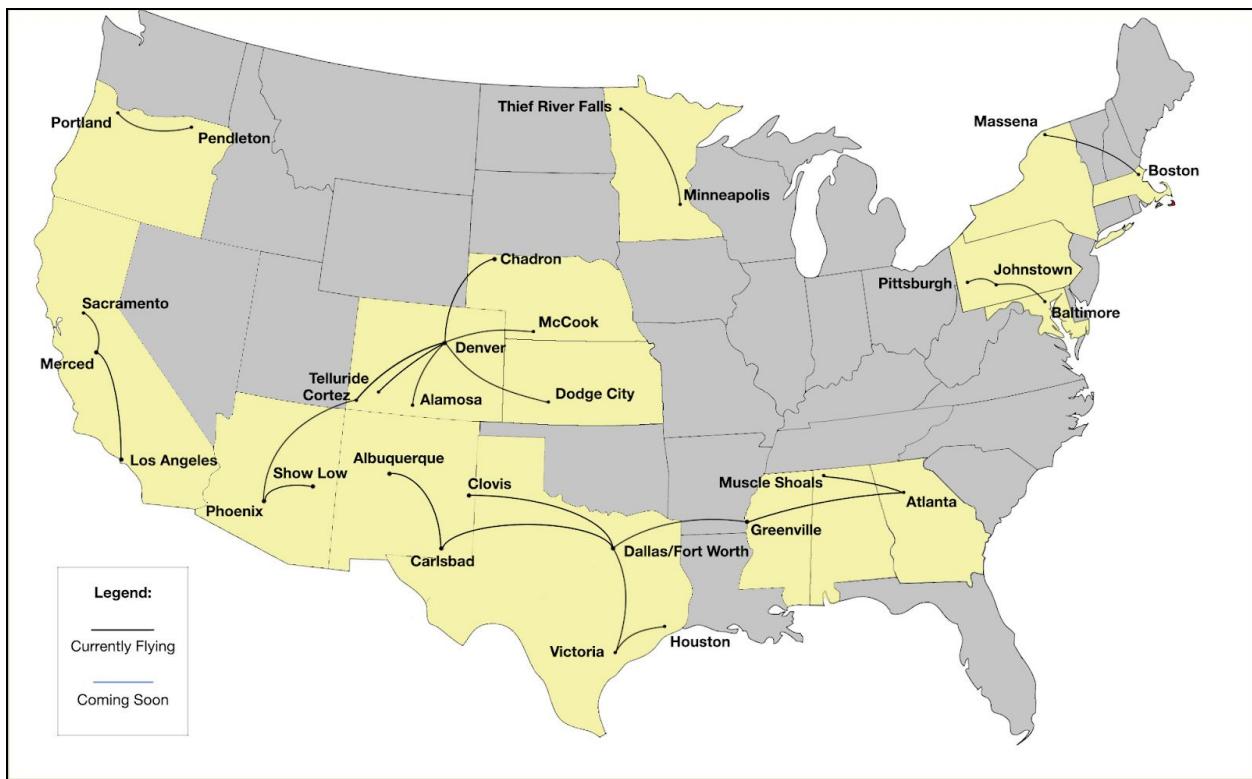
*Flew with Boutique Air from LA to Las Vegas round trip and it was a great experience. **Good service, on time departures, and a hassle free and nice way to travel** in general. A really nice pilot and copilot as well.*

-Patrick S. via Yelp.com

***Smooth flights and personable staff** are part of the experience...*

-Clovis News Journal

Route Map



Aircraft:

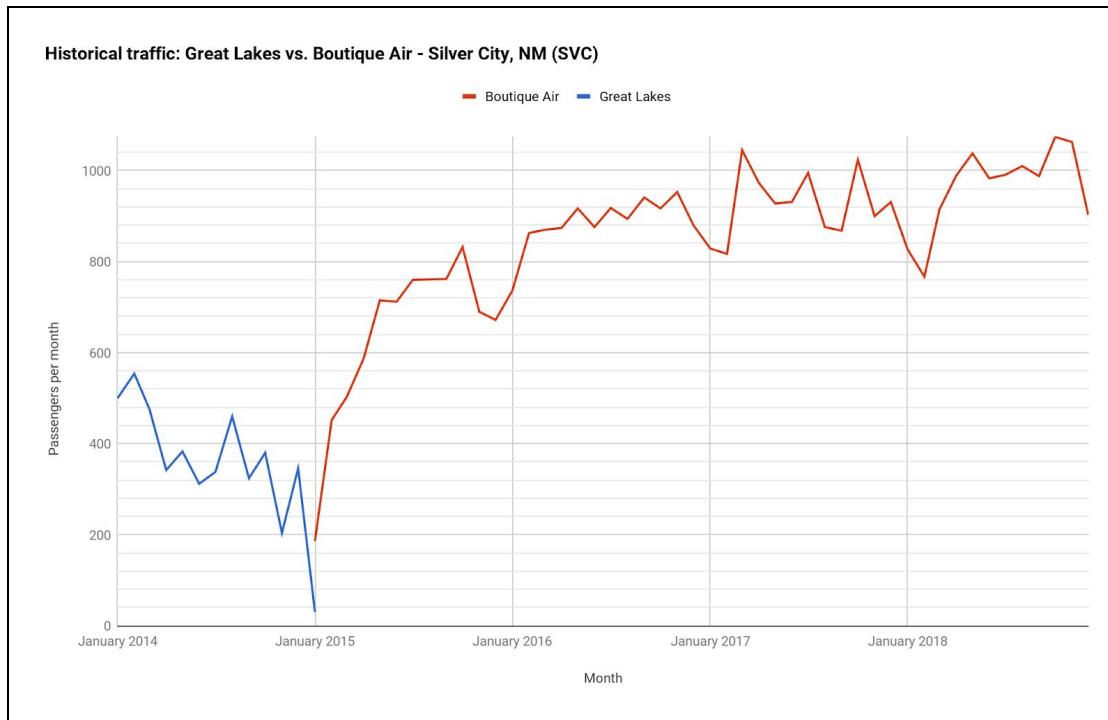
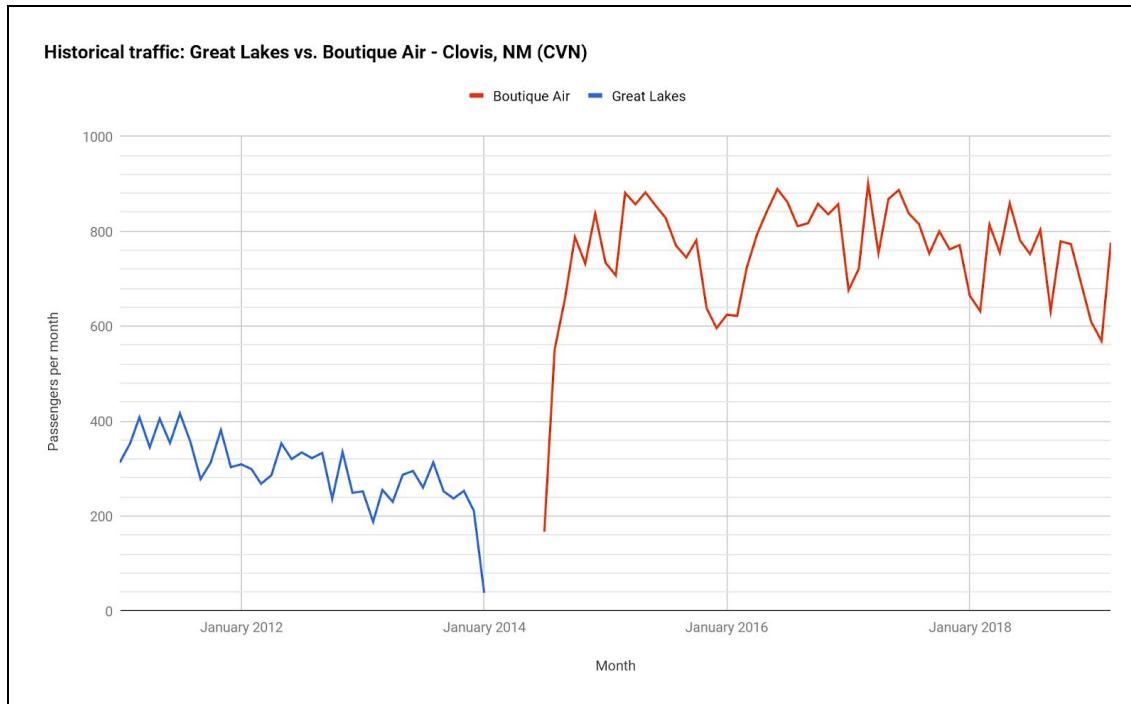
Boutique Air currently operates a modern fleet of Pilatus PC-12 aircraft. All flights are flown by Captains with over 1,200 hours of flight experience and an instrument rating. While we are certified to fly single pilot we opt to fly with a two pilot crew. Boutique Air ensures pilots provide a level of customer service beyond that of normal commercial airlines.

- 8 Passenger Executive Configuration or 9 Passenger Commuter Configuration
- Pressurized Cabin
- Power Outlets
- Enclosed Lavatory



Historical Passenger Traffic Performance

Boutique Air has established a proven track record in resuscitating air service in EAS communities which have been devastated by poor execution from prior carriers as illustrated by the passenger traffic graphs below.



Note on Codeshare, Interline and MileagePlus Frequent Flyer Agreements

Boutique Air launched its interline agreement with United Airlines in May 2017 and its codeshare agreement in May 2018. Customers have flow-through ticketing and baggage capabilities for those flights that connect with United Airlines.

Passengers are also able to book through United.com and connect with any of United's flights at our mutual hubs.

Boutique Air also participates in United Airlines' MileagePlus Frequent Flyer Program. Passengers can earn and redeem award miles on all Boutique Air flights.

Boutique Air is also proud to announce that it launched an interline agreement with American Airlines in December of 2018.

(Image of interline fares currently available from MSS through Boston to Newark on United.com)

Departure: Massena, NY, US → New York/Newark, NJ, US

i Fares are for the entire one-way trip, per person, and include taxes and fees. Additional bag charges may apply.

Sun 6/2 \$168	Mon 6/3 \$168	Tue 6/4 \$168	Wed 6/5 \$168	Thu 6/6 \$168	Fri 6/7 \$168	Sat 6/8 \$168
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With stops **\$168** Choose connecting airports

Economy

Depart ▼ Arrive ▼ Stops ▼ Duration ▼

6:20 am 10:19 am 1 stop 3h 59m ▼ Details ► Seats **\$168**

Includes Travel Operated By Boutique Air Select 4 tickets left at this price

MileagePlus earnings (each way, per person): Base award miles **705**
PQM | PQS | PQD 201 | 1 | \$141

Massena, NY, US (MSS) to Boston, MA, US (BOS)
6:20 am - 7:30 am (1h 10m) Economy (K)
4B 861 | Pilatus PC-12
Operated By Boutique Air

1h 30m connection

Boston, MA, US (BOS) to New York/Newark, NJ, US (EWR - Liberty)
9:00 am - 10:19 am (1h 19m) United Economy (G)
UA 700 | Boeing 737-700
Wi-Fi

Proposal

Overview

Our proposals would be flown in eight or nine-seat, modern, pressurized Pilatus PC-12 aircraft. The term is for two years.

CGI 24 Weekly Nonstop Roundtrips (Daily RTs)

	<u>ORD</u>	<u>STL</u>	<u>BNA</u>	<u>TOTAL SUBSIDY</u>
CGI	2	2	0	\$2,979,765
CGI	2	0	2	\$3,039,192

MWA 36 Weekly Nonstop Roundtrips (Daily RTs)

	<u>ORD</u>	<u>STL</u>	<u>BNA</u>	<u>TOTAL SUBSIDY</u>
MWA	2	4	0	\$3,289,698
MWA	0	3	3	\$3,239,205

UIN 36 Weekly Nonstop Roundtrips (Daily RTs)

	<u>ORD</u>	<u>STL</u>	<u>TOTAL SUBSIDY</u>
UIN	2	4	\$3,290,756
UIN	0	6	\$2,903,318

In order to increase brand recognition in these communities, Boutique Air will spend at least \$50,000 per year in each community if it is selected for advertising & marketing to help ensure that air service for the community is a success. We will utilize a combination of radio, print, billboard, TV, and internet advertising.

Note on Service Start Date

Boutique Air will begin service 60-90 days after the DOT issues the order selecting Boutique Air as the EAS carrier. Boutique air will start service as early as operationally possible and will coordinate with the incumbent carrier to ensure there is not a service interruption.

Note on Selection by Multiple Communities

If Boutique Air is selected to provide service in both Quincy and Marion the annual subsidy can be reduced by \$35,000 per community or \$70,000 total. In order for Boutique Air to be selected in Cape Girardeau it must also be selected to serve at least one of the other two communities; this combination allows us to reduce our Cape Girardeau costs by \$200,000, which has been



done in the matrix above. Marion and Quincy, however, can be selected as stand alone contracts.

Community Input

Shortly after the bids are complete, Boutique Air will schedule meetings with airport and/or city officials. This will allow us to answer any questions and provide additional information.

While we can't promise we will be able to implement everyone's suggestions, we welcome feedback from the community, as well as anyone who may have an interest in the proposed flights. What we can promise is that we will listen to your feedback, and give it the attention and consideration it deserves.

With respect and appreciation,

Shawn Simpson
CEO

Cape Girardeau, MO
24 Nonstop RTs Summary Financials

	<u>ORD</u>	<u>STL</u>	<u>BNA</u>
Operations			
Scheduled Flights	2,496	2,496	2,496
Completed Flights (98%)	2,446	2,446	2,446
Scheduled Block Hours	4,326	2,038	2,662
Scheduled Seats	19,968	19,968	19,968
Scheduled ASMs	6,769,152	2,256,384	3,554,304
Revenue			
Passengers	14,976	13,578	13,578
Average Fare	\$110	\$49	\$69
Fare Revenue	\$1,647,360	\$665,334	\$936,899
Total Revenue	\$1,647,360	\$665,334	\$936,899
Expenses			
Fuel	\$1,042,786	\$491,313	\$641,714
Ownership	\$960,000	\$760,000	\$760,000
Maintenance and Reserves	\$1,739,213	\$819,437	\$1,070,285
Crew	\$673,046	\$403,828	\$420,803
Airport Rent	\$276,373	\$274,562	\$136,678
Landing Fees	\$35,212	\$9,129	\$57,905
Staff	\$175,500	\$169,000	\$182,000
Insurance	\$20,000	\$20,000	\$20,000
Marketing and Distribution	\$50,000	\$50,000	\$50,000
Other Indirect Costs	\$188,403	\$101,459	\$131,171
Total Costs	\$5,160,533	\$3,098,727	\$3,470,555
Profit Element	\$258,027	\$154,936	\$173,528
Margin	5.0%	5.0%	5.0%
Total Annual Subsidy Year 1	\$3,771,200	\$2,588,330	\$2,707,185

**** Year 2 subject to a 2.5% adjustment for inflation**

Marion, IL
36 Nonstop RTs Summary Financials

	<u>ORD</u>	<u>STL</u>	<u>BNA</u>
Operations			
Scheduled Flights	3,744	3,744	3,744
Completed Flights (98%)	3,669	3,669	3,669
Scheduled Block Hours	5,616	2,496	3,557
Scheduled Seats	29,952	29,952	29,952
Scheduled ASMs	8,895,744	2,995,200	5,121,792
Revenue			
Passengers	20,367	19,469	19,469
Average Fare	\$119	\$45	\$45
Fare Revenue	\$2,423,716	\$876,096	\$876,096
Total Revenue	\$2,423,716	\$876,096	\$876,096
Expenses			
Fuel	\$1,353,616	\$601,607	\$857,290
Ownership	\$960,000	\$760,000	\$760,000
Maintenance and Reserves	\$2,257,632	\$1,003,392	\$1,429,834
Crew	\$887,630	\$394,502	\$562,166
Airport Rent	\$386,317	\$365,124	\$227,240
Landing Fees	\$53,797	\$14,672	\$87,835
Staff	\$175,500	\$169,000	\$182,000
Insurance	\$20,000	\$20,000	\$20,000
Marketing and Distribution	\$50,000	\$50,000	\$50,000
Other Indirect Costs	\$237,408	\$118,848	\$165,158
Total Costs	\$6,381,901	\$3,497,146	\$4,341,524
Profit Element	\$319,095	\$174,857	\$217,076
Margin	5.0%	5.0%	5.0%
Total Annual Subsidy Year 1	\$4,277,280	\$2,795,907	\$3,682,504

**** Year 2 subject to a 2.5% adjustment for inflation**

Quincy, IL

36 Nonstop RTs Summary Financials

	<u>ORD</u>	<u>STL</u>
Operations		
Scheduled Flights	3,744	3,744
Completed Flights (98%)	3,669	3,669
Scheduled Block Hours	4,742	2,746
Scheduled Seats	29,952	29,952
Scheduled ASMs	6,529,536	2,815,488
Revenue		
Passengers	19,469	19,469
Average Fare	\$79	\$45
Fare Revenue	\$1,538,035	\$876,096
Total Revenue	\$1,538,035	\$876,096
Expenses		
Fuel	\$1,143,054	\$661,768
Ownership	\$760,000	\$760,000
Maintenance and Reserves	\$1,906,445	\$1,103,731
Crew	\$749,555	\$433,953
Airport Rent	\$275,242	\$258,964
Landing Fees	\$52,818	\$13,694
Staff	\$175,500	\$169,000
Insurance	\$20,000	\$20,000
Marketing and Distribution	\$50,000	\$50,000
Other Indirect Costs	\$204,211	\$128,333
Total Costs	\$5,336,825	\$3,599,442
Profit Element	\$266,841	\$179,972
Margin	5.0%	5.0%
Total Annual Subsidy Year 1	\$4,065,631	\$2,903,318

**** Year 2 subject to a 2.5% adjustment for inflation**